

**Part A and Part B (A/B)  
Medicare Administrative Contractor (MAC)**

**QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)**

**1. INTRODUCTION**

This Quality Assurance Surveillance Plan (QASP) was developed by the Centers for Medicare & Medicaid Services (CMS) for use in monitoring and evaluating the Part A and Part B Medicare Administrative Contractor's (A/B MAC's) fulfillment of the A/B contract requirements. The document describes CMS' plan for inspecting the contractor's work within the various business functions as described in the Statement of Work (SOW), and specifically identifies the methods CMS will use to monitor and assess the contractor's success in delivering the level of performance agreed to in the contract. CMS will administer the QASP in accordance with requirements of the Federal Acquisition Regulation (FAR) Subpart 46 (Attachment A).

Attached to the QASP is the A/B MAC Performance Requirements Summary (Attachment B). This table contains the various CMS business functions and the associated performance standards that CMS will monitor and/or evaluate during the life of the contract. The performance standards captured in the table are also included in the A/B MAC SOW. The QASP and its attachments are not part of the contract between the A/B MAC and CMS and is provided to the contractor for informational purposes only. CMS reserves the right to make changes to the QASP at any time during the contract period. This QASP will commence at the time of contract cutover, when the contractor begins performing the actual work required by the contract.

**2. PURPOSE**

The objective of the QASP is to provide a systematic, quality assurance approach for monitoring and evaluating the requirements and standards set forth in the SOW. Effective use of the QASP, along with the contractors' Quality Control Plan (QCP), will help to ensure that the contractor performs in accordance with performance metrics set forth in the contract documents, that the Government receives the quality of services called for in the contract, and that the Government only pays for the acceptable level of services received.

The QASP is intended to accomplish the following:

1. Define the roles and responsibilities of participating government officials,
2. Define the key performance standards that will be assessed,
3. Describe the evaluation methods that CMS will employ in assessing the contractor's performance, and
4. Describe the process of performance assessment documentation between CMS and the contractor.

### **3. AUTHORITY**

Authority for issuance of this QASP is provided under FAR Part 46 and RFP Section L – Inspection and Acceptance, which provides for inspections and acceptance of the articles, services, and documentation called for in the contract, to be accomplished by the Contracting Officer or his or her duly authorized representative.

### **4. SCOPE**

To fully understand the roles and the responsibilities of the parties, it is important to first define the distinction in terminology between the QCP and the QASP. The contractor, and not the Government, is responsible for management and quality control actions necessary to meet the quality standards set forth by the contract. (See FAR 46.105- Contractor Responsibilities and FAR 52.246-5 Inspection of Services- Cost Reimbursement.) Accordingly, the contractor develops a plan for providing and maintaining an inspection system acceptable to the Government and covering the services under this contract. This plan is called the QCP. The contractor must submit its QCP for Government approval in compliance with its contract deliverables. Once accepted, the contractor then uses the QCP to guide and to rigorously document the implementation of the required management and quality control actions to achieve the specified results.

The QASP, on the other hand, is structured to provide Government surveillance and oversight of the contractor's quality control efforts to assure that they are timely, effective and are delivering the results specified in the contract. The QASP is not part of the contract and it is not intended to duplicate the contractor's QCP. The Government shall provide the contractor with an informational copy of the QASP to support the contractor's efforts in developing a QCP that will interrelate with the Government's QASP.

## 5. GOVERNMENT RESOURCES, ROLES, AND RESPONSIBILITIES

**Contracting Officer** -This individual has the authority to enter into, administer, and/or terminate contracts and make related determinations and findings on behalf of the Government. The contracting officer is the individual authorized to:

1. enter into and commit/bind the Government by contract for supplies or services,
2. accept nonconforming work or waive any requirement of this contract,
3. authorize reimbursement to the contractor for any costs incurred during the performance of the contract, and
4. modify any term or condition of this contract; i.e., make any changes to the SOW, modify/extend the period of performance, change the delivery schedule.

In accordance with FAR 46.103, the Contracting Officer is responsible for:

- verifying that the contractor fulfills the contract quality requirements,
- ensuring that non-conformances are identified, and
- establishing the significance of a nonconformance.

It is the Contracting Officer who assures that the contractor receives impartial, fair, and equitable treatment under the contract. The Contracting Officer is ultimately responsible for the final determination of the adequacy of the contractor's performance.

**Project Officer** – This individual is designated in writing by the Contracting Officer to assist in administering a contract. The source and authority for a Project Officer is the Contracting Officer. The Project Officer does not have the authority to act as an agent of the Government under this contract (only the Contracting Officer has this authority). The Project Officer is responsible for:

1. monitoring the contractor's technical progress, including surveillance and assessment of performance and compliance with all substantive project objectives,
2. interpreting the SOW and any other technical performance requirements,
3. performing technical evaluation as required,
4. performing technical inspections and acceptances required by this contract,
5. assisting in the resolution of technical problems encountered during performance,
6. providing technical direction, and
7. reviewing invoices/vouchers.

In accordance with FAR Subpart 46.104, The Project Officer is responsible for:

- developing and applying efficient procedures for performing Government contract quality assurance actions under the contract in accordance with the written direction of the contracting office;
- verifying whether supplies or services conform to contract requirements;
- maintaining appropriate performance records in accordance with FAR requirements;
- reporting to the contracting officer any defects noted in technical requirements, including contract quality requirements; and
- recommending any changes to the contract, specifications, instructions or requirements that will provide more effective operations or eliminate unnecessary costs.

The Project Officer will be assisted by Business Function Leads (BFLs) or Technical Monitors (TMs).

**Business Function Lead /Technical Monitor** - An individual appointed by the Project Officer to assist with monitoring and evaluating the contractor's progress under the contract. The duties and limitations of the BFL/TM may include:

1. monitoring the contractor's technical progress, including the surveillance and assessment of performance and compliance with all substantive project objectives,
2. interpreting the SOW and any other technical performance requirements,
3. performing technical evaluation as required,
4. performing technical inspections and acceptances required by this contract,
5. assisting in the resolution of technical problems encountered during performance, and
6. reviewing invoices/vouchers.

The BFL or TM does not have authority to provide technical direction. He or she provides detailed technical oversight of the contractor's performance and reports his or her findings to the Project Officer in a timely, complete and impartial fashion to support the Project Officer's technical administration activities. While the BFL/TM may serve as a direct conduit to provide Government guidance and feedback to the contractor on technical matters, he or she is not empowered to make any contractual commitments or to authorize any contractual changes on the Government's behalf. Any changes that the contractor deems may affect contract, price, terms, or conditions shall be referred to the Contracting Officer for action.

## **6. METHODS OF SURVEILLANCE**

CMS shall use any combination of the below listed methods of surveillance in the administration of this QASP.

**Management Information Systems** - CMS maintains various management information systems into which contractors input data in relation to the services they provide the government. This data is collected, organized, and input into CMS systems by the contractor and used by CMS to monitor and evaluate contractor performance.

**100 % Inspection** - This surveillance methodology is often used for tasks that occur infrequently, for tasks that have very stringent performance requirements and for tasks that cannot be random sampled because the sample size exceeds the lot size. Typically the appropriate TM will conduct the inspection monthly, quarterly, or annually as designated in the A/B MAC Performance Requirements Summary (Attachment B).

**Random Sampling** -Random sampling is a statistically based method that assumes receipt of acceptable performance if a given percentage or number of scheduled assessments is found to be acceptable. Random sampling monitoring shall be conducted as specified in the A/B MAC QASP Performance Requirements Summary document. For the standards that have been identified and included in this QASP, the random sampling shall be performed by the Project Officer or by the appropriate designated TM.

**Judgmental Sampling-** Judgmental sampling is a non-statistical but consistent methodology used to select items for review. Typically, the sample size is determined by the sampler's own discretion and time availability, and weighted towards service areas perceived as critical. For the standards that have been identified and included in this QASP, the judgmental sampling shall be performed by the Project Officer or by the appropriate designated TM.

**Periodic Inspections-** Periodic inspections consist of the evaluation of a sample selected using any of the three above mentioned methodologies (100 %, Random, or Judgmental). However, the frequency of the evaluation occurs at specific intervals or dates. For the standards that have been identified and included in this QASP, the appropriate TM typically performs the periodic inspection at the contractor site on a monthly, quarterly or annual basis.

**Customer Feedback**– Customer feedback is first hand information from the actual users of the product or service. It is used to supplement other forms of evaluation and assessment. Customer feedback may be obtained either from the results of formal customer satisfaction surveys or from random customer complaints. Customer feedback, to be considered valid, must set forth clearly and in writing the detailed nature of the feedback, must be signed and must be forwarded to the Project Officer. The Project Officer shall maintain a summary log of all formally received customer feedback as well as a copy of each feedback correspondence in a documentation file. The Project Officer shall also keep the tabulated results of all customer satisfaction surveys on file.

## **7. IDENTIFIED QA SURVEILLANCE TASKS**

The standards to which this QASP applies are identified in the A/B MAC Performance Requirements Summary in Attachment B and the A/B MAC SOW, or Attachment J-1, to the RFP. In accordance with FAR 46.405, CMS reserves the right to perform contract quality assurance on subcontracted supplies or services in support of the A/B MAC SOW when it is deemed necessary. Government contract quality assurance on supplies or services does not relieve the prime contractor of any responsibilities under the contract.

## **8. EVALUATIONS**

Interim and final evaluations of contractor performance will be conducted on this contract in accordance with FAR 42.15 and will be prepared using the National Institutes of Health (NIH) Contractor Performance System (CPS). The final performance evaluation will be prepared at the time of completion of work. In addition to the final evaluation, interim evaluations will be prepared annually to coincide with the anniversary date of the contract. Interim and final evaluations will be provided to the contractor as soon as practicable after completion of the evaluation. The contractor will be permitted thirty days to review the document and to submit additional information or a rebutting statement. Additional information on the NIH CPS and user instructions can be found at <https://cpscontractor.nih.gov/>.

## **9. DOCUMENTATION**

The Project Officer will, in addition to providing documentation to the Contracting Officer, maintain a complete quality assurance file. The file will contain copies of all reports, evaluations, recommendations, and any actions related to the Government's performance of the quality assurance function, including the originals of all surveillance activity. All such records will be retained for the life of this contract. The Project Officer shall forward these records to the Contracting Officer at termination or completion of the contract.

## **10. ATTACHMENTS**

Attachment A – FAR Subpart 46

Attachment B - A/B MAC Performance Requirements Summary

## **FAR -- Part 46**

### **Quality Assurance**

#### **46.000 -- Scope of Part.**

This part prescribes policies and procedures to ensure that supplies and services acquired under Government contract conform to the contract's quality and quantity requirements. Included are inspection, acceptance, warranty, and other measures associated with quality requirements.

#### **Subpart 46.1 -- General**

##### **46.101 -- Definitions.**

As used in this part--

“Acceptance” means the act of an authorized representative of the Government by which the Government, for itself or as agent of another, assumes ownership of existing identified supplies tendered or approves specific services rendered as partial or complete performance of the contract.

“Conditional acceptance” means acceptance of supplies or services that do not conform to contract quality requirements, or are otherwise incomplete, that the contractor is required to correct or otherwise complete by a specified date.

“Contract quality requirements” means the technical requirements in the contract relating to the quality of the product or service and those contract clauses prescribing inspection, and other quality controls incumbent on the contractor, to assure that the product or service conforms to the contractual requirements.

“Critical nonconformance” means a nonconformance that is likely to result in hazardous or unsafe conditions for individuals using, maintaining, or depending upon the supplies or services; or is likely to prevent performance of a vital agency mission.

“Government contract quality assurance” means the various functions, including inspection, performed by the Government to determine whether a contractor has fulfilled the contract obligations pertaining to quality and quantity.

“Major nonconformance” means a nonconformance, other than critical, that is likely to result in failure of the supplies or services, or to materially reduce the usability of the supplies or services for their intended purpose.

“Minor nonconformance” means a nonconformance that is not likely to materially reduce the usability of the supplies or services for their intended purpose, or is a departure from established standards having little bearing on the effective use or operation of the supplies or services.

“Off-the-shelf item” means an item produced and placed in stock by a contractor, or stocked by a distributor, before receiving orders or contracts for its sale. The item may be commercial or produced to military or Federal specifications or description.

“Patent defect” means any defect which exists at the time of acceptance and is not a latent defect.

“Subcontractor” (see [44.101](#)).

“Testing,” means that element of inspection that determines the properties or elements, including functional operation of supplies or their components, by the application of established scientific principles and procedures.

#### **46.102 -- Policy.**

Agencies shall ensure that --

- (a) Contracts include inspection and other quality requirements, including warranty clauses when appropriate, that are determined necessary to protect the Government’s interest;
- (b) Supplies or services tendered by contractors meet contract requirements;
- (c) Government contract quality assurance is conducted before acceptance (except as otherwise provided in this part), by or under the direction of Government personnel;
- (d) No contract precludes the Government from performing inspection;
- (e) Nonconforming supplies or services are rejected, except as otherwise provided in [46.407](#);
- (f) Contracts for commercial items shall rely on a contractor’s existing quality assurance system as a substitute for compliance with Government inspection and testing before tender for acceptance unless customary market practices for the commercial item being acquired permit in-process inspection (Section 8002 of Public Law 103-355). Any in-process inspection by the Government shall be conducted in a manner consistent with commercial practice; and
- (g) The quality assurance and acceptance services of other agencies are used when this will be effective, economical, or otherwise in the Government’s interest (see [Subpart 42.1](#)).

#### **46.103 -- Contracting Office Responsibilities.**

Contracting offices are responsible for --

- (a) Receiving from the activity responsible for technical requirements any specifications for inspection, testing, and other contract quality requirements essential to ensure the integrity of the supplies or services (the activity responsible for technical requirements is responsible for prescribing contract quality requirements, such as inspection and testing requirements or, for service contracts, a quality assurance surveillance plan);
- (b) Including in solicitations and contracts the appropriate requirements for the contractor’s control of quality for the supplies or services to be acquired;
- (c) Issuing any necessary instructions to the cognizant contract administration office and acting on recommendations submitted by that office (see [42.301](#) and [46.104\(f\)](#));
- (d) When contract administration is retained (see [42.201](#)), verifying that the contractor fulfills the contract quality requirements; and
- (e) Ensuring that nonconformances are identified, and establishing the significance of a nonconformance when considering the acceptability of supplies or services which do not meet contract requirements.

#### **46.104 -- Contract Administration Office Responsibilities.**



When a contract is assigned for administration to the contract administration office cognizant of the contractor's plant, that office, unless specified otherwise, shall --

- (a) Develop and apply efficient procedures for performing Government contract quality assurance actions under the contract in accordance with the written direction of the contracting office;
- (b) Perform all actions necessary to verify whether the supplies or services conform to contract quality requirements;
- (c) Maintain, as part of the performance records of the contract, suitable records reflecting--
  - (1) The nature of Government contract quality assurance actions, including, when appropriate, the number of observations made and the number and type of defects; and
  - (2) Decisions regarding the acceptability of the products, the processes, and the requirements, as well as action to correct defects.
- (d) Implement any specific written instructions from the contracting office;
- (e) Report to the contracting office any defects observed in design or technical requirements, including contract quality requirements; and
- (f) Recommend any changes necessary to the contract, specifications, instructions, or other requirements that will provide more effective operations or eliminate unnecessary costs (see [46.103\(c\)](#)).

#### **46.105 -- Contractor Responsibilities.**

- (a) The contractor is responsible for carrying out its obligations under the contract by--
  - (1) Controlling the quality of supplies or services;
  - (2) Tendering to the Government for acceptance only those supplies or services that conform to contract requirements;
  - (3) Ensuring that vendors or suppliers of raw materials, parts, components, subassemblies, etc., have an acceptable quality control system; and
  - (4) Maintaining substantiating evidence, when required by the contract, that the supplies or services conform to contract quality requirements, and furnishing such information to the Government as required.
- (b) The contractor may be required to provide and maintain an inspection system or program for the control of quality that is acceptable to the Government (see [46.202](#)).
- (c) The control of quality by the contractor may relate to, but is not limited to--
  - (1) Manufacturing processes, to ensure that the product is produced to, and meets, the contract's technical requirements;
  - (2) Drawings, specifications, and engineering changes, to ensure that manufacturing methods and operations meet the contract's technical requirements;

- (3) Testing and examination, to ensure that practices and equipment provide the means for optimum evaluation of the characteristics subject to inspection;
  - (4) Reliability and maintainability assessment (life, endurance, and continued readiness);
  - (5) Fabrication and delivery of products, to ensure that only conforming products are tendered to the Government;
  - (6) Technical documentation, including drawings, specifications, handbooks, manuals, and other technical publications;
  - (7) Preservation, packaging, packing, and marking; and
  - (8) Procedures and processes for services to ensure that services meet contract performance requirements.
- (d) The contractor is responsible for performing all inspections and test required by the contract except those specifically reserved for performance by the Government (see [46.201\(c\)](#)).

## **Subpart 46.2 -- Contract Quality Requirements**

### **46.201 -- General.**

- (a) The contracting officer shall include in the solicitation and contract the appropriate quality requirements. The type and extent of contract quality requirements needed depends on the particular acquisition and may range from inspection at time of acceptance to a requirement for the contractor's implementation of a comprehensive program for controlling quality.
- (b) As feasible, solicitations and contracts may provide for alternative, but substantially equivalent, inspection methods to obtain wide competition and low cost. The contracting officer may also authorize contractor-recommended alternatives when in the Government's interest and approved by the activity responsible for technical requirements.
- (c) Although contracts generally make contractors responsible for performing inspection before tendering supplies to the Government, there are situations in which contracts will provide for specialized inspections to be performed solely by the Government. Among situations of this kind are--
- (1) Tests that require use of specialized test equipment or facilities not ordinarily available in suppliers' plants or commercial laboratories (*e.g.*, ballistic testing of ammunition, unusual environmental tests, and simulated service tests); and
  - (2) Contracts that require Government testing for first article approval (see [Subpart 9.3](#)).
- (d) Except as otherwise specified by the contract, required contractor testing may be performed in the contractor's or subcontractor's laboratory or testing facility, or in any other laboratory or testing facility acceptable to the Government.

### **46.202 -- Types of Contract Quality Requirements.**

Contract quality requirements fall into four general categories, depending on the extent of quality assurance needed by the Government for the acquisition involved.

#### **46.202-1 -- Contracts for Commercial Items.**

When acquiring commercial items (see Part 12), the Government shall rely on contractors' existing quality assurance systems as a substitute for Government inspection and testing before tender for acceptance unless customary market practices for the commercial item being acquired include in-process inspection. Any in-process inspection by the Government shall be conducted in a manner consistent with commercial practice.

#### **46.202-2 -- Government Reliance on Inspection by Contractor.**

(a) Except as specified in (b) of this section, the Government shall rely on the contractor to accomplish all inspection and testing needed to ensure that supplies or services acquired at or below the simplified acquisition threshold conform to contract quality requirements before they are tendered to the Government (see [46.301](#)).

(b) The Government shall not rely on inspection by the contractor if the contracting officer determines that the Government has a need to test the supplies or services in advance of their tender for acceptance, or to pass judgment upon the adequacy of the contractor's internal work processes. In making the determination, the contracting officer shall consider--

- (1) The nature of the supplies and services being purchased and their intended use;
- (2) The potential losses in the event of defects;
- (3) The likelihood of uncontested replacement or correction of defective work; and
- (4) The cost of detailed Government inspection.

#### **46.202-3 -- Standard Inspection Requirements.**

(a) Standard inspection requirements are contained in the clauses prescribed in [46.302](#) through [46.308](#), and [46.310](#), and in the product and service specifications that are included in solicitations and contracts.

(b) The clauses referred to in (a) of this section--

- (1) Require the contractor to provide and maintain an inspection system that is acceptable to the Government;
- (2) Give the Government the right to make inspections and tests while work is in process; and
- (3) Require the contractor to keep complete, and make available to the Government, records of its inspection work.

#### **46.202-4 -- Higher-Level Contract Quality Requirements.**

(a) Requiring compliance with higher-level quality standards is appropriate in solicitations and contracts for complex or critical items (see [46.203](#)(b) and (c)) or when the technical requirements of the contract require --

- (1) Control of such things as work operations, in-process controls, and inspection; or
- (2) Attention to such factors as organization, planning, work instructions, documentation control, and advanced metrology.

(b) When the contracting officer, in consultation with technical personnel, finds it is in the Government's interest to require that higher-level quality standards be maintained, the contracting officer shall use the clause prescribed at [46.311](#). The contracting officer shall indicate in the clause which higher-level quality standards will satisfy the

Government's requirement. Examples of higher-level quality standards are ISO 9001, 9002, or 9003; ANSI/ISO/ASQC Q9001-2000; ANSI/ASQC Q9001, Q9002, or Q9003; QS-9000; AS-9000; ANSI/ASQC E4; and ANSI/ASME NQA-1.

#### **46.203 -- Criteria for Use of Contract Quality Requirements.**

The extent of contract quality requirements, including contractor inspection, required under a contract shall usually be based upon the classification of the contract item (supply or service) as determined by its technical description, its complexity, and the criticality of its application.

(a) *Technical description.* Contract items may be technically classified as--

- (1) Commercial (described in commercial catalogs, drawings, or industrial standards; see Part 2); or
- (2) Military-Federal (described in Government drawings and specifications).

(b) *Complexity.*

- (1) Complex items have quality characteristics, not wholly visible in the end item, for which contractual conformance must be established progressively through precise measurements, tests, and controls applied during purchasing, manufacturing, performance, assembly, and functional operation either as an individual item or in conjunction with other items.
- (2) Noncomplex items have quality characteristics for which simple measurement and test of the end item are sufficient to determine conformance to contract requirements.

(c) *Criticality.*

- (1) A critical application of an item is one in which the failure of the item could injure personnel or jeopardize a vital agency mission. A critical item may be either peculiar, meaning it has only one application, or common, meaning it has multiple applications.
- (2) A noncritical application is any other application. Noncritical items may also be either peculiar or common.

### **Subpart 46.3 -- Contract Clauses**

#### **46.301 -- Contractor Inspection Requirements.**

The contracting officer shall insert the clause at [52.246-1](#), Contractor Inspection Requirements, in solicitations and contracts for supplies or services when the contract amount is expected to be at or below the simplified acquisition threshold and

- (a) inclusion of the clause is necessary to ensure an explicit understanding of the contractor's inspection responsibilities, or
- (b) inclusion of the clause is required under agency procedures. The clause shall not be used if the contracting officer has made the determination specified in [46.202-2\(b\)](#).

#### **46.302 -- Fixed-Price Supply Contracts.**

The contracting officer shall insert the clause at [52.246-2](#), Inspection of Supplies -- Fixed-Price, in solicitations and contracts for supplies, or services that involve the furnishing of supplies, when a fixed-price contract is contemplated and the contract amount is expected to exceed the simplified acquisition threshold. The contracting officer may insert the clause in such solicitations and contracts when the contract amount is expected to be at or below the simplified acquisition threshold and inclusion of the clause is in the Government's interest. If a fixed-price incentive contract is contemplated, the contracting officer shall use the clause with its Alternate I. If a fixed-ceiling-price contract with retroactive price redetermination is contemplated, the contracting officer shall use the clause with its Alternate II.

#### **46.303 -- Cost-Reimbursement Supply Contracts.**

The contracting officer shall insert the clause at [52.246-3](#), Inspection of Supplies -- Cost-Reimbursement, in solicitations and contracts for supplies, or services that involve the furnishing of supplies, when a cost-reimbursement contract is contemplated.

#### **46.304 -- Fixed-Price Service Contracts.**

The contracting officer shall insert the clause at [52.246-4](#), Inspection of Services -- Fixed-Price, in solicitations and contracts for services, or supplies that involve the furnishing of services, when a fixed-price contract is contemplated and the contract amount is expected to exceed the simplified acquisition threshold. The contracting officer may insert the clause in such solicitations and contracts when the contract amount is expected to be at or below the simplified acquisition threshold and inclusion is in the Government's interest.

#### **46.305 -- Cost-Reimbursement Service Contracts.**

The contracting officer shall insert the clause at [52.246-5](#), Inspection of Services -- Cost Reimbursement, in solicitations and contracts for services, or supplies that involve the furnishing of services, when a cost-reimbursement contract is contemplated.

#### **46.306 -- Time-and-Material and Labor-Hour Contracts.**

The contracting officer shall insert the clause at [52.246-6](#), Inspection -- Time-and-Material and Labor-Hour, in solicitations and contracts when a time-and-material contract or a labor-hour contract is contemplated. If Government inspection and acceptance are to be performed at the contractor's plant, the contracting officer shall use the clause with its Alternate I.

#### **46.307 -- Fixed-Price Research and Development Contracts.**

(a) The contracting officer shall insert the clause at [52.246-7](#), Inspection of Research and Development -- Fixed-Price, in solicitations and contracts for research and development when--

- (1) The primary objective of the contract is the delivery of end items other than designs, drawings, or reports,
- (2) A fixed-price contract is contemplated, and
- (3) The contract amount is expected to exceed the simplified acquisition threshold; unless use of the clause is impractical and the clause prescribed in [46.309](#) is considered to be more appropriate.

(b) The contracting officer may insert the clause in such solicitations and contracts when the contract amount is expected to be at or below the simplified acquisition threshold, and its use is in the Government's interest.

**46.308 -- Cost-Reimbursement Research and Development Contracts.**

The contracting officer shall insert the clause at [52.246-8](#), Inspection of Research and Development -- Cost-Reimbursement, in solicitations and contracts for research and development when

(a) the primary objective of the contract is the delivery of end items other than designs, drawings, or reports, and

(b) a cost-reimbursement contract is contemplated; unless use of the clause is impractical and the clause prescribed in [46.309](#) is considered to be more appropriate. If it is contemplated that the contract will be on a no-fee basis, the contracting officer shall use the clause with its Alternate I.

**46.309 -- Research and Development Contracts (Short Form).**

The contracting officer shall insert the clause at [52.246-9](#), Inspection of Research and Development (Short Form), in solicitations and contracts for research and development when the clause prescribed in [46.307](#) or the clause prescribed in [46.308](#) is not used.

**46.310 -- Facilities Contracts.**

The contracting officer shall insert the clause at [52.246-10](#), Inspection of Facilities, in solicitations and contracts when a facilities contract is contemplated.

**46.311 -- Higher-Level Contract Quality Requirement.**

The contracting officer shall insert the clause [52.246-11](#), Higher-Level Contract Quality Requirement, in solicitations and contracts when the inclusion of a higher-level contract quality requirement is appropriate (see [46.202-4](#)).

**46.312 -- Construction Contracts.**

The contracting officer shall insert the clause at [52.246-12](#), Inspection of Construction, in solicitations and contracts for construction when a fixed-price contract is contemplated and the contract amount is expected to exceed the simplified acquisition threshold. The contracting officer may insert the clause in such solicitations and contracts when the contract amount is expected to be at or below the simplified acquisition threshold, and its use is in the Government's interest.

**46.313 -- Contracts for Dismantling, Demolition, or Removal of Improvements.**

The contracting officer shall insert the clause at [52.246-13](#), Inspection -- Dismantling, Demolition, or Removal of Improvements, in solicitations and contracts for dismantling, demolition, or removal of improvements.

**46.314 -- Transportation Contracts.**

The contracting officer shall insert the clause at [52.246-14](#), Inspection of Transportation, in solicitations and contracts for freight transportation services (including local drayage) by rail, motor (including bus), domestic freight forwarder, and domestic water carriers (including inland, coastwise, and intercoastal). The contracting officer shall not use the clause for the acquisition of transportation services by domestic or international air carriers or by international ocean carriers, or to freight services provided under bills of lading or to those negotiated for reduced rates under 49 U.S.C. 10721(b)(1). (See Part 47, Transportation.)

**46.315 -- Certificate of Conformance.**

The contracting officer shall insert the clause at [52.246-15](#), Certificate of Conformance, in solicitations and contracts for supplies or services when the conditions in 46.504 apply.

**46.316 -- Responsibility for Supplies.**

The contracting officer shall insert the clause at [52.246-16](#), Responsibility for Supplies, in solicitations and contracts for

(a) supplies,

(b) services involving the furnishing of supplies, or

(c) research and development, when a fixed-price contract is contemplated and the contract amount is expected to exceed the simplified acquisition threshold. The contracting officer may insert the clause in such solicitations and contracts when the contract amount is not expected to exceed the simplified acquisition threshold and inclusion of the clause is authorized under agency procedures.

**Subpart 46.4 -- Government Contract Quality Assurance**

**46.401 -- General.**

(a) Government contract quality assurance shall be performed at such times (including any stage of manufacture or performance of services) and places (including subcontractors' plants) as may be necessary to determine that the supplies or services conform to contract requirements. Quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work. The plans should specify --

(1) All work requiring surveillance; and

(2) The method of surveillance.

(b) Each contract shall designate the place or places where the Government reserves the right to perform quality assurance.

(c) If the contract provides for performance of Government quality assurance at source, the place or places of performance may not be changed without the authorization of the contracting officer.

(d) If a contract provides for delivery and acceptance at destination and the Government inspects the supplies at a place other than destination, the supplies shall not ordinarily be reinspected at destination, but should be examined for quantity, damage in transit, and possible substitution or fraud.

(e) Government inspection shall be performed by or under the direction or supervision of Government personnel.

(f) Government inspection shall be documented on an inspection or receiving report form or commercial shipping document/packing list, under agency procedures (see [Subpart 46.6](#)).

(g) Agencies may prescribe the use of inspection approval or disapproval stamps to identify and control supplies and material that have been inspected for conformance with contract quality requirements.

**46.402 -- Government Contract Quality Assurance at Source.**

Agencies shall perform contract quality assurance, including inspection, at source if --



- (a) Performance at any other place would require uneconomical disassembly or destructive testing;
- (b) Considerable loss would result from the manufacture and shipment of unacceptable supplies, or from the delay in making necessary corrections;
- (c) Special required instruments, gauges, or facilities are available only at source;
- (d) Performance at any other place would destroy or require the replacement of costly special packing and packaging;
- (e) Government inspection during contract performance is essential; or
- (f) It is determined for other reasons to be in the Government's interest.

**46.403 -- Government Contract Quality Assurance at Destination.**

- (a) Government contract quality assurance that can be performed at destination is normally limited to inspection of the supplies or services. Inspection shall be performed at destination under the following circumstances--
- (1) Supplies are purchased off-the-shelf and require no technical inspection;
  - (2) Necessary testing equipment is located only at destination;
  - (3) Perishable subsistence supplies purchased within the United States, except that those supplies destined for overseas shipment will normally be inspected for condition and quantity at points of embarkation;
  - (4) Brand name products purchased for authorized resale through commissaries or similar facilities (however, supplies destined for direct overseas shipment may be accepted by the contracting officer or an authorized representative on the basis of a tally sheet evidencing receipt of shipment signed by the port transportation officer or other designated official at the transshipment point);
  - (5) The products being purchased are processed under direct control of the National Institutes of Health or the Food and Drug Administration of the Department of Health and Human Services;
  - (6) The contract is for services performed at destination; or
  - (7) It is determined for other reasons to be in the Government's interest.
- (b) Overseas inspection of supplies shipped from the United States shall not be required except in unusual circumstances, and then only when the contracting officer determines in advance that inspection can be performed or makes necessary arrangements for its performance.

**46.404 -- Government Contract Quality Assurance for Acquisitions at or Below the Simplified Acquisition Threshold.**

- (a) In determining the type and extent of Government contract quality assurance to be required for contracts at or below the simplified acquisition threshold, the contracting officer shall consider the criticality of application of the supplies or services, the amount of possible losses, and the likelihood of uncontested replacement of defective work (see [46.202-2](#)).
- (b) When the conditions in [46.202-2\(b\)](#) apply, the following policies shall govern:



- (1) Unless a special situation exists, the Government shall inspect contracts at or below the simplified acquisition threshold at destination and only for type and kind; quantity; damage; operability (if readily determinable); and preservation, packaging, packing, and marking, if applicable.
- (2) Special situations may require more detailed quality assurance and the use of a standard inspection or higher-level contract quality requirement. These situations include those listed in [46.402](#) and contracts for items having critical applications.
- (3) Detailed Government inspection may be limited to those characteristics that are special or likely to cause harm to personnel or property. When repetitive purchases of the same item are made from the same manufacturer with a history of defect-free work, Government inspection may be reduced to a periodic check of occasional purchases.

#### **46.405 -- Subcontracts.**

- (a) Government contract quality assurance on subcontracted supplies or services shall be performed only when required in the Government's interest. The primary purpose is to assist the contract administration office cognizant of the prime contractor's plant in determining the conformance of subcontracted supplies or services with contract requirements or to satisfy one or more of the factors included in (b) of this section. It does not relieve the prime contractor of any responsibilities under the contract. When appropriate, the prime contractor shall be requested to arrange for timely Government access to the subcontractor facility.
- (b) The Government shall perform quality assurance at the subcontract level when--
  - (1) The item is to be shipped from the subcontractor's plant to the using activity and inspection at source is required;
  - (2) The conditions for quality assurance at source are applicable (see [46.402](#));
  - (3) The contract specifies that certain quality assurance functions, which can be performed only at the subcontractor's plant, are to be performed by the Government; or
  - (4) It is otherwise required by the contract or determined to be in the Government's interest.
- (c) Supplies or services for which certificates, records, reports, or similar evidence of quality are available at the prime contractor's plant shall not be inspected at the subcontractor's plant, except occasionally to verify this evidence or when required under (b) of this section.
- (d) All oral and written statements and contract terms and conditions relating to Government quality assurance actions at the subcontract level shall be worded so as not to--
  - (1) Affect the contractual relationship between the prime contractor and the Government, or between the prime contractor and the subcontractor;
  - (2) Establish a contractual relationship between the Government and the subcontractor; or
  - (3) Constitute a waiver of the Government's right to accept or reject the supplies or services.

#### **46.406 -- Foreign Governments.**

Government contract quality assurance performed for foreign governments or international agencies shall be administered according to the foreign policy and security objectives of the United States. Such support shall be

furnished only when consistent with or required by legislation, executive orders, or agency policies concerning mutual international programs.

**46.407 -- Nonconforming Supplies or Services.**

(a) The contracting officer should reject supplies or services not conforming in all respects to contract requirements (see [46.102](#)). In those instances where deviation from this policy is found to be in the Government's interest, such supplies or services may be accepted only as authorized in this section.

(b) The contracting officer ordinarily must give the contractor an opportunity to correct or replace nonconforming supplies or services when this can be accomplished within the required delivery schedule. Unless the contract specifies otherwise (as may be the case in some cost-reimbursement contracts), correction or replacement must be without additional cost to the Government. Subparagraph (e)(2) of the clause at [52.246-2](#), Inspection of Supplies - Fixed-Price, reserves to the Government the right to charge the contractor the cost of Government reinspection and retests because of prior rejection.

(c)

(1) In situations not covered by paragraph (b) of this section, the contracting officer ordinarily must reject supplies or services when the nonconformance is critical or major or the supplies or services are otherwise incomplete. However, there may be circumstances (*e.g.*, reasons of economy or urgency) when the contracting officer determines acceptance or conditional acceptance of supplies or services is in the best interest of the Government. The contracting officer must make this determination, based upon--

(i) Advice of the technical activity that the item is safe to use, and will perform its intended purpose;

(ii) Information regarding the nature and extent of the nonconformance or otherwise incomplete supplies or services;

(iii) A request from the contractor for acceptance of the nonconforming or otherwise incomplete supplies or services (if feasible);

(iv) A recommendation for acceptance, conditional acceptance, or rejection, with supporting rationale; and

(v) The contract adjustment considered appropriate, including any adjustment offered by the contractor.

(2) The cognizant contract administration office, or other Government activity directly involved, must furnish this data to the contracting officer in writing, except that in urgent cases it may be furnished orally and later confirmed in writing. Before making a decision to accept, the contracting officer must obtain the concurrence of the activity responsible for the technical requirements of the contract and, where health factors are involved, of the responsible health official of the agency concerned.

(d) If the nonconformance is minor, the cognizant contract administration office may make the determination to accept or reject, except where this authority is withheld by the contracting office of the contracting activity. To assist in making this determination, the contract administration office may establish a joint contractor-contract administrative office review group. Acceptance of supplies and services with critical or major nonconformances is outside the scope of the review group.

(e) The contracting officer must discourage the repeated tender of nonconforming supplies or services, including those with only minor nonconformances, by appropriate action, such as rejection and documenting the contractor's performance record.

(f) When supplies or services are accepted with critical or major nonconformances as authorized in paragraph (c) of this section, the contracting officer must modify the contract to provide for an equitable price reduction or other consideration. In the case of conditional acceptance, amounts withheld from payments generally should be at least sufficient to cover the estimated cost and related profit to correct deficiencies and complete unfinished work. The contracting officer must document in the contract file the basis for the amounts withheld. For services, the contracting officer can consider identifying the value of the individual work requirements or tasks (subdivisions) that may be subject to price or fee reduction. This value may be used to determine an equitable adjustment for nonconforming services. However, when supplies or services involving minor nonconformances are accepted, the contract need not be modified unless it appears that the savings to the contractor in fabricating the nonconforming supplies or performing the nonconforming services will exceed the cost to the Government of processing the modification.

(g) Notices of rejection must include the reasons for rejection and be furnished promptly to the contractor. Promptness in giving this notice is essential because, if timely nature of rejection is not furnished, acceptance may in certain cases be implied as a matter of law. The notice must be in writing if --

- (1) The supplies or services have been rejected at a place other than the contractor's plant;
- (2) The contractor persists in offering nonconforming supplies or services for acceptance; or
- (3) Delivery or performance was late without excusable cause.

#### **46.408 -- Single-Agency Assignments of Government Contract Quality Assurance.**

(a) Government-wide responsibility for quality assurance support for acquisitions of certain commodities is assigned as follows:

- (1) For drugs, biologics, and other medical supplies -- the Food and Drug Administration;
- (2) For food, except seafood -- the Department of Agriculture.
- (3) For seafood -- the National Marine Fisheries Service of the Department of Commerce.

(b) Agencies requiring quality assurance support for acquiring these supplies should request the support directly from the cognizant office.

### **Subpart 46.5 -- Acceptance**

#### **46.501 -- General.**

Acceptance constitutes acknowledgment that the supplies or services conform with applicable contract quality and quantity requirements, except as provided in this subpart and subject to other terms and conditions of the contract. Acceptance may take place before delivery, at the time of delivery, or after delivery, depending on the provisions of the terms and conditions of the contract. Supplies or services shall ordinarily not be accepted before completion of Government contract quality assurance actions (however, see [46.504](#)). Acceptance shall ordinarily be evidenced by execution of an acceptance certificate on an inspection or receiving report form or commercial shipping document/packing list.

**46.502 -- Responsibility for Acceptance.**

Acceptance of supplies or services is the responsibility of the contracting officer. When this responsibility is assigned to a cognizant contract administration office or to another agency (see [42.202\(g\)](#)), acceptance by that office or agency is binding on the Government.

**46.503 -- Place of Acceptance.**

Each contract shall specify the place of acceptance. Contracts that provide for Government contract quality assurance at source shall ordinarily provide for acceptance at source. Contracts that provide for Government contract quality assurance at destination shall ordinarily provide for acceptance at destination. (For transportation terms, see [Subpart 47.3](#).) Supplies accepted at a place other than destination shall not be reinspected at destination for acceptance purposes, but should be examined at destination for quantity, damage in transit, and possible substitution or fraud.

**46.504 -- Certificate of Conformance.**

A certificate of conformance (see [46.315](#)) may be used in certain instances instead of source inspection (whether the contract calls for acceptance at source or destination) at the discretion of the contracting officer if the following conditions apply:

(a) Acceptance on the basis of a contractor's certificate of conformance is in the Government's interest.

(b)

(1) Small losses would be incurred in the event of a defect; or

(2) Because of the contractor's reputation or past performance, it is likely that the supplies or services furnished will be acceptable and any defective work would be replaced, corrected, or repaired without contest. In no case shall the Government's right to inspect supplies under the inspection provisions of the contract be prejudiced.

**46.505 -- Transfer of Title and Risk of Loss.**

(a) Title to supplies shall pass to the Government upon formal acceptance, regardless of when or where the Government takes physical possession, unless the contract specifically provides for earlier passage of title.

(b) Unless the contract specifically provides otherwise, risk of loss of or damage to supplies shall remain with the contractor until, and shall pass to the Government upon --

(1) Delivery of the supplies to a carrier if transportation is f.o.b. origin; or

(2) Acceptance by the Government or delivery of the supplies to the Government at the destination specified in the contract, whichever is later, if transportation is f.o.b. destination.

(c) Paragraph (b) of this section shall not apply to supplies that so fail to conform to contract requirements as to give a right of rejection. The risk of loss of or damage to such nonconforming supplies remains with the contractor until cure or acceptance. After cure or acceptance, paragraph (b) of this section shall apply.

(d) Under paragraph (b) of this section, the contractor shall not be liable for loss of or damage to supplies caused by the negligence of officers, agents, or employees of the Government acting within the scope of their employment.

(e) The policy expressed in (a) through (d) of this section is specified in the clause at [52.246-16](#), Responsibility for Supplies, which is prescribed in [46.316](#).

### **Subpart 46.6 -- Material Inspection and Receiving Reports**

#### **46.601 -- General.**

Agencies shall prescribe procedures and instructions for the use, preparation, and distribution of material inspection and receiving reports and commercial shipping document/packing lists to evidence Government inspection (see [46.401](#)) and acceptance (see [46.501](#)).

### **Subpart 46.7 -- Warranties**

#### **46.701 -- [Reserved].**

#### **46.702 -- General.**

(a) The principal purposes of a warranty in a Government contract are--

- (1) To delineate the rights and obligations of the contractor and the Government for defective items and services; and
- (2) To foster quality performance.

(b) Generally, a warranty should provide --

- (1) A contractual right for the correction of defects notwithstanding any other requirement of the contract pertaining to acceptance of the supplies or services by the Government; and
- (2) A stated period of time or use, or the occurrence of a specified event, after acceptance by the Government to assert a contractual right for the correction of defects.

(c) The benefits to be derived from a warranty must be commensurate with the cost of the warranty to the Government.

#### **46.703 -- Criteria for Use of Warranties.**

The use of warranties is not mandatory. In determining whether a warranty is appropriate for a specific acquisition, the contracting officer shall consider the following factors:

(a) *Nature and use of the supplies or services.* This includes such factors as --

- (1) Complexity and function;
- (2) Degree of development;
- (3) State of the art;
- (4) End use;
- (5) Difficulty in detecting defects before acceptance; and

(6) Potential harm to the Government if the item is defective.

(b) *Cost.* Warranty costs arise from --

(1) The contractor's charge for accepting the deferred liability created by the warranty; and

(2) Government administration and enforcement of the warranty (see paragraph (c) of this section).

(c) *Administration and enforcement.* The Government's ability to enforce the warranty is essential to the effectiveness of any warranty. There must be some assurance that an adequate administrative system for reporting defects exists or can be established. The adequacy of a reporting system may depend upon such factors as the--

(1) Nature and complexity of the item;

(2) Location and proposed use of the item;

(3) Storage time for the item;

(4) Distance of the using activity from the source of the item;

(5) Difficulty in establishing existence of defects; and

(6) Difficulty in tracing responsibility for defects.

(d) *Trade practice.* In many instances an item is customarily warranted in the trade, and, as a result of that practice, the cost of an item to the Government will be the same whether or not a warranty is included. In those instances, it would be in the Government's interest to include such a warranty.

(e) *Reduced requirements.* The contractor's charge for assumption of added liability may be partially or completely offset by reducing the Government's contract quality assurance requirements where the warranty provides adequate assurance of a satisfactory product.

#### **46.704 -- Authority for Use of Warranties.**

The use of a warranty in an acquisition shall be approved in accordance with agency procedures.

#### **46.705 -- Limitations.**

(a) Except for the warranties in the clauses at [52.246-3](#), Inspection of Supplies -- Cost-Reimbursement, and [52.246-8](#), Inspection of Research and Development -- Cost-Reimbursement, the contracting officer shall not include warranties in cost-reimbursement contracts, unless authorized in accordance with agency regulations (see [46.708](#)).

(b) Warranty clauses shall not limit the Government's rights under an inspection clause (see [Subpart 46.3](#)) in relation to latent defects, fraud, or gross mistakes that amount to fraud.

(c) Except for warranty clauses in construction contracts, warranty clauses shall provide that the warranty applies notwithstanding inspection and acceptance or other clauses or terms of the contract.

#### **46.706 -- Warranty Terms and Conditions.**

(a) To facilitate the pricing and enforcement of warranties, the contracting officer shall ensure that warranties clearly state the--

- (1) Exact nature of the item and its components and characteristics that the contractor warrants;
- (2) Extent of the contractor's warranty including all of the contractor's obligations to the Government for breach of warranty;
- (3) Specific remedies available to the Government; and
- (4) Scope and duration of the warranty.

(b) The contracting officer shall consider the following guidelines when preparing warranty terms and conditions:

(1) *Extent of contractor obligations.*

(i) Generally, the contractor's obligations under warranties extend to all defects discovered during the warranty period, but do not include damage caused by the Government. When a warranty for the entire item is not advisable, a warranty may be required for a particular aspect of the item that may require special protection (*e.g.*, installation, components, accessories, subassemblies, preservation, packaging, and packing, etc.).

(ii) If the Government specifies the design of the end item and its measurements, tolerances, materials, tests, or inspection requirements, the contractor's obligations for correction of defects shall usually be limited to defects in material and workmanship or failure to conform to specifications. If the Government does not specify the design, the warranty extends also to the usefulness of the design.

(iii) If express warranties are included in a contract (except contracts for commercial items), all implied warranties of merchantability and fitness for a particular purpose shall be negated by the use of specific language in the clause (see clauses [52.246-17](#), Warranty of Supplies of a Noncomplex Nature; [52.246-18](#), Warranty of Supplies of a Complex Nature; and [52.246-19](#), Warranty of Systems and Equipment under Performance Specifications or Design Criteria).

(2) *Remedies.*

(i) Normally, a warranty shall provide as a minimum that the Government may--

(A) Obtain an equitable adjustment of the contract, or

(B) Direct the contractor to repair or replace the defective items at the contractor's expense.

(ii) If it is not practical to direct the contractor to make the repair or replacement, or, because of the nature of the item, the repair or replacement does not afford an appropriate remedy to the Government, the warranty should provide alternate remedies, such as authorizing the Government to--

(A) Retain the defective item and reduce the contract price by an amount equitable under the circumstances; or

(B) Arrange for the repair or replacement of the defective item, by the Government or by another source, at the contractor's expense.

(iii) If it can be foreseen that it will not be practical to return an item to the contractor for repair, to remove it to an alternate source for repair, or to replace the defective item, the warranty should provide that the Government may repair, or require the contractor to repair, the item in place at the contractor's expense. The contract shall provide that in the circumstance where the Government is to accomplish the repair, the contractor will furnish at the place of delivery the material or parts, and the installation instructions required to successfully accomplish the repair.

(iv) Unless provided otherwise in the warranty, the contractor's obligation to repair or replace the defective item, or to agree to an equitable adjustment of the contract, shall include responsibility for the costs of furnishing all labor and material to--

(A) Reinspect items that the Government reasonably expected to be defective,

(B) Accomplish the required repair or replacement of defective items, and

(C) Test, inspect, package, pack, and mark repaired or replaced items.

(v) If repair or replacement of defective items is required, the contractor shall generally be required by the warranty to bear the expense of transportation for returning the defective item from the place of delivery specified in the contract (irrespective of the f.o.b. point or the point of acceptance) to the contractor's plant and subsequent return. When defective items are returned to the contractor from other than the place of delivery specified in the contract, or when the Government exercises alternate remedies, the contractor's liability for transportation charges incurred shall not exceed an amount equal to the cost of transportation by the usual commercial method of shipment between the place of delivery specified in the contract and the contractor's plant and subsequent return.

(3) *Duration of the warranty.* The time period or duration of the warranty must be clearly specified and shall be established after consideration of such factors as

(i) the estimated useful life of the item,

(ii) the nature of the item including storage or shelf-life, and

(iii) trade practice. The period specified shall not extend the contractor's liability for patent defects beyond a reasonable time after acceptance by the Government.

(4) *Notice.* The warranty shall specify a reasonable time for furnishing notice to the contractor regarding the discovery of defects. This notice period, which shall apply to all defects discovered during the warranty period, shall be long enough to assure that the Government has adequate time to give notice to the contractor. The contracting officer shall consider the following factors when establishing the notice period:

(i) The time necessary for the Government to discover the defects.

(ii) The time reasonably required for the Government to take necessary administrative steps and make a timely report of discovery of the defects to the contractor.

(iii) The time required to discover and report defective replacements.



(5) *Markings.* The packaging and preservation requirements of the contract shall require the contractor to stamp or mark the supplies delivered or otherwise furnish notice with the supplies of the existence of the warranty. The purpose of the markings or notice is to inform Government personnel who store, stock, or use the supplies that the supplies are under warranty. Markings may be brief but should include

(i) a brief statement that a warranty exists,

(ii) the substance of the warranty,

(iii) its duration, and

(iv) who to notify if the supplies are found to be defective. For commercial items (see 46.709), the contractor's trade practice in warranty marking is acceptable if sufficient information is presented for supply personnel and users to identify warranted supplies.

(6) *Consistency.* Contracting officers shall ensure that the warranty clause and any other warranty conditions in the contract (e.g., in the specifications or an inspection clause) are consistent. To the extent practicable, all of the warranties to be contained in the contract should be expressed in the warranty clause.

#### **46.707 -- Pricing Aspects of Fixed-Price Incentive Contract Warranties.**

If a fixed-price incentive contract contains a warranty (see [46.708](#)), the estimated cost of the warranty to the contractor should be considered in establishing the incentive target price and the ceiling price of the contract. All costs incurred, or estimated to be incurred, by the contractor in complying with the warranty shall be considered when establishing the total final price. Contractor compliance with the warranty after the establishment of the total final price shall be at no additional cost to the Government.

#### **46.708 -- Warranties of Data.**

Warranties of data shall be developed and used in accordance with agency regulations.

#### **46.709 -- Warranties of Commercial Items.**

The contracting officer should take advantage of commercial warranties, including extended warranties, where appropriate and in the Government's best interests, offered by the contractor for the repair and replacement of commercial items (see Part 12).

#### **46.710 -- Contract Clauses.**

The clauses and alternates prescribed in this section may be used in solicitations and contracts in which inclusion of a warranty is appropriate (see [46.709](#) for warranties for commercial items). However, because of the many situations that may influence the warranty terms and conditions appropriate to a particular acquisition, the contracting officer may vary the terms and conditions of the clauses and alternates to the extent necessary. The alternates prescribed in this section address the clauses; however, the conditions pertaining to each alternate must be considered if the terms and conditions are varied to meet a particular need.

(a)

(1) The contracting officer may insert a clause substantially the same as the clause at [52.246-17](#), Warranty of Supplies of a Noncomplex Nature, in solicitations and contracts for noncomplex items when a fixed-price supply contract is contemplated and the use of a warranty clause has been approved under agency

procedures. If the contractor's design rather than the Government's design will be used, insert the word "design" before "material" in paragraph (b)(1)(i).

(2) If it is desirable to specify that necessary transportation incident to correction or replacement will be at the Government's expense (as might be the case if, for example, the cost of a warranty would otherwise be prohibitive), the contracting officer may use the clause with its Alternate II.

(3) If the supplies cannot be obtained from another source, the contracting officer may use the clause with its Alternate III.

(4) If a fixed-price incentive contract is contemplated, the contracting officer may use the clause with its Alternate IV.

(5) If it is anticipated that recovery of the warranted items will involve considerable Government expense for disassembly and/or reassembly of larger items, the contracting officer may use the clause with its Alternate V.

(b)

(1) The contracting officer may insert a clause substantially the same as the clause at [52.246-18](#), Warranty of Supplies of a Complex Nature, in solicitations and contracts for deliverable complex items when a fixed-price supply or research and development contract is contemplated and the use of a warranty clause has been approved under agency procedures. If the contractor's design rather than the Government's design will be used, insert the word "design" before "material" in paragraph (b)(1).

(2) If it is desirable to specify that necessary transportation incident to correction or replacement will be at the Government's expense (as might be the case if, for example, the cost of a warranty would otherwise be prohibitive), the contracting officer may use the clause with its Alternate II.

(3) If a fixed-price incentive contract is contemplated, the contracting officer may use the clause with its Alternate III.

(4) If it is anticipated that recovery of the warranted item will involve considerable Government expense for disassembly and/or reassembly of larger items, the contracting officer may use the clause with its Alternate IV.

(c)

(1) The contracting officer may insert a clause substantially the same as the clause at [52.246-19](#), Warranty of Systems and Equipment under Performance Specifications or Design Criteria, in solicitations and contracts when performance specifications or design are of major importance; a fixed-price supply, service, or research and development contract for systems and equipment is contemplated; and the use of a warranty clause has been approved under agency procedures.

(2) If it is desirable to specify that necessary transportation incident to correction or replacement will be at the Government's expense (as might be the case if, for example, the cost of a warranty would otherwise be prohibitive), the contracting officer may use the clause with its Alternate I.

(3) If a fixed-price incentive contract is contemplated, the contracting officer may use the clause with its Alternate II.

(4) If it is anticipated that recovery of the warranted item will involve considerable Government expense for disassembly and/or reassembly of larger items, the contracting officer may use the clause with its Alternate III.

(d) The contracting officer may insert a clause substantially the same as the clause at [52.246-20](#), Warranty of Services, in solicitations and contracts for services when a fixed-price contract for services is contemplated and the use of warranty clause has been approved under agency procedures; unless a clause substantially the same as the clause at [52.246-19](#), Warranty of Systems and Equipment under Performance Specifications or Design Criteria, has been used.

(e)

(1) The contracting officer may insert a clause substantially the same as the clause at [52.246-21](#), Warranty of Construction, in solicitations and contracts when a fixed-price construction contract (see [46.705\(c\)](#)) is contemplated and the use of a warranty clause has been approved under agency procedures.

(2) If the Government specifies in the contract the use of any equipment by “brand name and model,” the contracting officer may use the clause with its Alternate I.

#### **Subpart 46.8 -- Contractor Liability for Loss of or Damage to Property of the Government**

##### **46.800 -- Scope of Subpart.**

This subpart prescribes policies and procedures for limiting contractor liability for loss of or damage to property of the Government that --

(a) Occurs after acceptance and

(b) Results from defects or deficiencies in the supplies delivered or services performed.

##### **46.801 -- Applicability.**

(a) This subpart applies to contracts other than those for

(1) information technology, including telecommunications,

(2) construction,

(3) architect-engineer services, and

(4) maintenance and rehabilitation of real property. This subpart does not apply to items commercial items.

(b) See [Subpart 46.7](#), Warranties, for policies and procedures concerning contractor liability caused by nonconforming technical data.

##### **46.802 -- Definition.**

“High-value item,” as used in this subpart, means a contract end item that

(1) Has a high unit cost (normally exceeding \$100,000 per unit), such as an aircraft, an aircraft engine, a communication system, a computer system, a missile, or a ship, and

- (2) Is designated by the contracting officer as a high-value item.

**46.803 -- Policy.**

(a) *General.* The Government will generally act as a self-insurer by relieving contractors, as specified in this subpart, of liability for loss of or damage to property of the Government that

- (1) occurs after acceptance of supplies delivered or services performed under a contract and

- (2) results from defects or deficiencies in the supplies or services. However, the Government will not relieve the contractor of liability for loss of or damage to the contract end item itself, except for high-value items.

(b) *High-value items.* In contracts requiring delivery of high-value items, the Government will relieve contractors of contractual liability for loss of or damage to those items. However, this relief shall not limit the Government's rights arising under the contract to --

- (1) Have any defective item or its components corrected, repaired, or replaced when the defect or deficiency is discovered before the loss of or damage to a high-value item occurs; or

- (2) Obtain equitable relief when the defect or deficiency is discovered after such loss or damage occurs.

(c) *Exception.* The Government will not provide contractual relief under paragraphs (a) and (b) of this section when contractor liability can be preserved without increasing the contract price.

(d) *Limitations.* Subject to the specific terms of the limitation of liability clause included in the contract, the relief provided under paragraphs (a) and (b) of this section does not apply--

- (1) To the extent that contractor liability is expressly provided under a contract clause authorized by this regulation;

- (2) When a defect or deficiency in, or Government's acceptance of, the supplies or services results from willful misconduct or lack of good faith on the part of the contractor's managerial personnel; or

- (3) To the extent that any contractor insurance, or self-insurance reserve, covers liability for loss or damage suffered by the Government through purchase or use of the supplies delivered or services performed under the contract.

**46.804 -- [Reserved]**

**46.805 -- Contract Clauses.**

(a) *Contracts that exceed the simplified acquisition threshold.* The contracting officer shall insert the appropriate clause or combination of clauses specified in subparagraphs (a)(1) through (a)(5) of this section in solicitations and contracts when the contract amount is expected to be in excess of the simplified acquisition threshold and the contract is subject to the requirements of this subpart as indicated in [46.801](#):

- (1) In contracts requiring delivery of end items that are not high-value items, insert the clause at [52.246-23](#), Limitation of Liability.

- (2) In contracts requiring delivery of high-value items, insert the clause at [52.246-24](#), Limitation of Liability -- High Value Items.

(3) In contracts requiring delivery of both high-value items and other end items, insert both clauses prescribed in (a)(1) and (a)(2) of this section, Alternate I of the clause at [52.246-24](#), and identify clearly in the contract schedule the line items designated as high-value items.

(4) In contracts requiring the performance of services, insert the clause at [52.246-25](#), Limitation of Liability -- Services.

(5) In contracts requiring both the performance of services and the delivery of end items, insert the clause prescribed in subparagraph (a)(4) of this section and the appropriate clause or clauses prescribed in subparagraph (a)(1), (2), or (3) of this section, and identify clearly in the contract schedule any high-value line items.

(b) *Acquisitions at or below the simplified acquisition threshold.* The clauses prescribed by paragraph (a) of this section are not required for contracts at or below the simplified acquisition threshold. However, in response to a contractor's specific request, the contracting officer may insert the clauses prescribed in paragraph (a)(1) or (a)(4) of this section in a contract at or below the simplified acquisition threshold and may obtain any price reduction that is appropriate.

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Provider Enrollment	Process Initial Enrollment Applications - Timeliness	C.5.5.1	The applications described in C.5.5.1 of the SOW will be considered timely processed when 80% of applications are processed within 60 calendar days of receipt or sooner, 90% within 120 calendar of receipt or sooner, and 99% within 180 calendar days of receipt.	PECOS, L&T Record, PECOS statuses will show when an application was considered to be appropriately delayed.	Monthly, using workload reports, review to find any key indicators that would flag a problem.	monthly
Provider Enrollment	Process Initial Enrollment Applications - Accuracy	C.5.5.1	The applications described in C.5.5.1 of the SOW will be considered accurately processed when 98% of applications are processed in accordance with all of the instructions in IOM Pub. 100-08, Chapter 10, with the exception of the timeliness standard.	PECOS, L&T Record, PECOS statuses will show when an application was considered to be appropriately delayed.	Monthly, using workload reports, review to find any key indicators that would flag a problem.	monthly
Provider Enrollment	Process Changes, Updates, Reassignments or Corrections - Timeliness	C.5.5.2	The applications described in C.5.5.2 of the SOW will be considered timely processed when 80% of applications are processed within 45 calendar days of receipt or sooner, 90% within 60 calendar days or sooner, and 99% within 90 calendar days of receipt.	PECOS, L&T Record. PECOS statuses will show when an application was considered to be appropriately delayed.	Monthly, using workload reports, review to find any key indicators that would flag a problem.	monthly
Provider Enrollment	Process Changes, Updates, Reassignments or Corrections - Accuracy	C.5.5.2	The applications described in C.5.5.2 of the SOW will be considered accurately processed when 98% of applications are processed in accordance with all of the instructions in IOM Pub. 100-08, Chapter 10, with the exception of the timeliness standard.	PECOS, L&T Record. PECOS statuses will show when an application was considered to be appropriately delayed.	Monthly, using workload reports, review to find any key indicators that would flag a problem.	monthly

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Provider Enrollment	Revocations	C.5.5.3	The Contractor shall process 100% of all revocation actions - regardless of whether notification was received through investigation by CMS or by a Contractor - in full accordance with all revocation instructions in IOM Pub. 100-08, Chapter 10.	PECOS, L&T Record. PECOS statuses will show when an application was considered to be appropriately delayed.	Monthly, using workload reports, review to find any key indicators that would flag a problem.	monthly
Provider Customer Service	Provider Outreach and Education (POE)	C.5.7.1	The Contractor's POE activities are successful when the Contractor maintains satisfactory performance levels, as measured by CMS, in regards to website satisfaction, as measured using American Customer Satisfaction Index (ACSI) survey methodology, and provider education as measured by the Medicare Contractor Provider Satisfaction Survey (MCPSS).	Medicare Provider Customer Satisfaction Survey Call Center Survey	Annually	Quarterly
Provider Customer Service	Provider Outreach and Education (POE)	C.5.7.1	The Contractor's POE activities are successful when there is a decrease in the contractor-specific provider compliance error rate of 10% as compared to the contractor's baseline determined during the base year of the contract (The decrease will be measured on an annual basis; the provider compliance error rate is the gross rate before any adjustments have been made, including errors based on the non-response rate).	CERT Data	Quarterly	Quarterly
Provider Customer Service	Provider Outreach and Education (POE)	C.5.7.1	The Contractor's POE activities are successful when there is a decrease in state-specific Hospital Performance Monitoring Program error rate of 5% as compared to the contractor's baseline determined during the base year of the contract by the Quality Improvement Organization (The decrease will be measured on an annual basis).	CERT Data	Quarterly	Quarterly
Provider Customer Service	Provider Contact Center (PCC)	C.5.7.2	The Contractor's PCC activities are successful when the Contractor maintains satisfactory performance levels, as measured by CMS, in regards to call center satisfaction, as measured using ACSI survey methodology, and provider inquiries as measured by the MCPSS.	Medicare Provider Customer Satisfaction Survey Call Center Survey	Annual	Annual

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Provider Customer Service	Provider Contact Center (PCC) - Telephone Inquiries	C.5.7.2.1	Telephone inquiries are successful when, for calls monitored for the quarter, the number of CSRs scoring as "Achieves Expectations" or higher for Knowledge Skills using the Quality Call Monitoring tool shall be no less than 93% (cumulative for the quarter).	QCM Database: <a href="https://www.qcmcores.com">https://www.qcmcores.com</a> (Account and password needed for access). "CSR" report for each month of the quarter and the "CSR - Quarterly" report. For both reports, look at call center percentages under Knowledge Skills column.	Monthly and Quarterly	QCM Database is updated by users daily
Provider Customer Service	Provider Contact Center (PCC) - Telephone Inquiries	C.5.7.2.1	Telephone inquiries are successful when the corporate quarterly call completion rate is 95% for IVRs and 80% for CSRs.	CSAMS - ATB ETF data point on the monthly report	Quarter - cumulative	Contractors update monthly via CSAMS
Provider Customer Service	Provider Contact Center (PCC) - Telephone Inquiries	C.5.7.2.1	Telephone inquiries are timely when the corporate quarterly average speed of answer is 60 seconds.	CSAMS - Average Speed of Answer (ASA) data point on the monthly report	Monthly Quarter - cumulative	Contractors update monthly via CSAMS



**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

Business Function Area	Requirement Area	Standard Reference / Source	Performance Standard	Data Source	Data Specification	Update Frequency
Provider Customer Service	Provider Contact Center (PCC) - Written Inquiries	C.5.7.2.2	Written inquiries are successful when, of the written responses monitored for the quarter, the number of written inquiry respondents scoring as "Pass" for Knowledge Skills using the Quality Written Correspondence Monitoring (QWCM) tool shall be no less than 93% (cumulative for the quarter).	QCM Database: <a href="https://www.qcmscores.com">https://www.qcmscores.com</a> (Account and password needed for access). "CSR" report for each month of the quarter and the "CSR - Quarterly" report. For both reports, look at call center percentages under Knowledge Skills column.	Monthly and Quarterly	QCM Database is used daily by contractors. CMS updates database periodically.
Provider Customer Service	Provider Contact Center (PCC) - Written Inquiries	C.5.7.2.2	Written inquiries are timely when at least 95% are answered with final responses within 45 business days of receipt and no more than 5% are answered with interim responses (this 5% includes all PRRS interim responses) within 45 business days of receipt.	Contractor's universe of provider written inquiries.	Quarterly	N/A
Provider Customer Service	Provider Contact Center (PCC) - Provider Relations Research Specialists (PRRS)	C.5.7.2.3	PRRS responses are successful when of all provider and beneficiary responses monitored for the quarter, the number of PRRS respondents scoring as "Pass" for Knowledge Skills using the QWCM tool shall be no less than 93% (cumulative for the quarter).	QWCM Database: <a href="https://www.qwcmcores.com">https://www.qwcmcores.com</a> (Account and password needed to access). "Correspondent" report for each month of the quarter and for quarter. Look at row titled, "WIU Average for defined timeframe" and check percentage under Privacy Act column.	Monthly and Quarterly	QWCM is updated by users daily

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Provider Customer Service	Provider Contact Center (PCC) - Provider Relations Research Specialists (PRRS)	C.5.7.2.3	PRRS responses are timely when 75% of complex inquiries referred by provider telephone CSRs or from the Beneficiary Contact Center (BCC) are answered within 25 business days from receipt.	TBD	TBD	TBD
Provider Customer Service	Provider Contact Center (PCC) - Provider Relations Research Specialists (PRRS)	C.5.7.2.3	PRRS responses are timely when at least 95% of complex inquiries referred by provider telephone CSRs or from the BCC are answered within 45 business days from receipt and no more than 5% are answered with interim responses (this 5% includes all general inquiry interim responses - see requirement C.5.7.2.2) within 45 business days of receipt.	TBD	TBD	TBD
Provider Customer Service	Provider Listserv	C.5.7.3.3	The Contractor's listserv activities are successful when the Contractor maintains at least 25% of its active provider count as unique registrants to its provider listserv by the end of the first year of the contract (active providers are all individual providers who have had billing activity during the previous 12 months).	TBD	TBD	TBD
Claims Processing	General Claims Processing	C.5.8.2	Claims Processing is successful when claims are paid with acceptable accuracy as evidenced by a contractor-specific Comprehensive Error Rate Testing (CERT) error rate not to exceed the Government Performance Results Act (GPRA) national paid claims error rate goal for the year (The goal for each year is published in the Report on Improper Medicare Fee-for-Service Payments <a href="http://www.cms.hhs.gov/cert">www.cms.hhs.gov/cert</a> ).	CERT Reports	Dollars a contractor paid in error divided by dollars a contractor paid	Annual
Claims Processing	General Claims Processing	C.5.8.2	Clean claims are processed timely when 95% of the claims are processed within the claims payment floor and ceiling specified in IOM Pub. 100-04, Chapter 1, sections 80.2.1.1 and 80.2.1.2	CROWD	Monthly	Monthly
Claims Processing	Communication of Claims Processing Problems	C.5.8.2.1	Communication is timely when CMS receives notification within 5 business days of Contractor discovering systematic and/or operational claims processing problems that do not cause disruption of claims processing payments.	Project Officer	TBD	TBD
Claims Processing	Communication of Claims Processing Problems	C.5.8.2.1	Communication is timely when CMS receives notification within 24 hours or within the same business day of identification, if the problem may cause disruption of benefit payments beyond a single provider.	Project Officer	TBD	TBD
Claims Processing	Generate and Mail Claims Processing Documents	C.5.8.4.3	MSN management is successful when the Contractor accurately generates and mails 98% of MSNs in accordance with IOM Pub. 100-04, Chapter 21.	Contractor deliverable - Quarterly Quality Assurance reports.	Annually	Quarterly
Claims Processing	Generate and Mail Claims Processing Documents	C.5.8.4.3	Document management is successful when the Contractor mails all required documents that are not being transmitted electronically.	TBD	TBD	TBD
Claims Processing	Listing of Competitive Acquisition Program (CAP) Participating Physicians and Practitioners	C.5.8.7.1	The Contractor's performance of the CAP physician election process is successful when it conforms with the activities and timeframes required in CRs 4044, 4064, 4306, and 4309.	TBD	TBD	TBD

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Claims Processing	Monitoring CAP Physicians and Practitioner Claims for Administering Part B Drugs	C.5.8.7.2	The Contractor's monitoring of CAP physician and practitioner claims for administering drugs is successful when the Contractor adjudicates CAP claims in accordance with IOM Pub. 100-04, Chapters 17 and 21 (CR 4044, 4064, 4306, and 4309).	TBD	TBD	TBD
Reopening of Medicare Initial Claims Determinations	Reopening Decisions	C.5.9.3	The revised determination or decision is timely when it is issued within 60 calendar days from the date of receipt of request or the date of QIC remand.	Sample; SOPs	Annual	NA
Appeals of Medicare Initial Claims Determinations	Controlling Receipt of Correspondence	C.5.10.1.1	Controlling receipt of correspondence is successful if all redetermination requests are date-controlled on the same business day they are received in the Contractor's mailroom.	Sample; SOPs	Annual for onsite	NA
Appeals of Medicare Initial Claims Determinations	Misdirected Redetermination Requests	C.5.10.1.4	Misdirected redetermination requests are timely when they are forwarded to the appropriate Medicare Administrative Contractor or other adjudicator within 5 calendar days of receipt.	Case files; documentation to support forwarding; systems validation	Annual	NA
Appeals of Medicare Initial Claims Determinations	Conduct of the Redetermination	C.5.10.1.9	Redeterminations are successful when all redeterminations (where no additional evidence is submitted after the request) are accurately processed and the redetermination decision notice is mailed within 60 calendar days of receipt of the request in the corporate mailroom or within 60 calendar days of the latest filed request for consolidated redetermination requests for the same claim. NOTE: The 60 calendar day decision-making timeframe may be extended by 14 calendar days in accordance with 42 CFR 405.946.	Sample; Validation of new CROWD report data	Annual for onsite	NA for sample; Monthly for CROWD
Appeals of Medicare Initial Claims Determinations	Notice of the Redetermination	C.5.10.1.11	Redetermination notices are successful when they are processed and mailed within 60 calendar of the date the Contractor receives the valid and timely filed request. If the appellant submits additional evidence after filing the request for redetermination, the Contractor's timeframe for making the decision is extended by 14 calendar days. NOTE: The 60 calendar day decision-making timeframe may be extended by 14 calendar days in accordance with 42 CFR 405.946.	Sample; systems and other supporting documentation; New CROWD report data	Annual for onsite; Qtrly in house review of CROWD data	NA for sample; CROWD updated monthly
Appeals of Medicare Initial Claims Determinations	Appeal Decision Effectuation	C.5.10.2	Effectuation of Contractor redetermination is successful when all decisions are effectuated by the Contractor: - within 30 calendar days of the date of the decision, if a specific amount to be paid is stated, or - within 30 calendar days after it computes the amount to be paid, which must be done no later than 30 calendar days of the receipt of the decision.	Sample; systems and other supporting documentation; New CROWD report data	Annual for onsite review; Qtrly in house review of new CROWD data	NA for sample; CROWD updated monthly
Financial Management of Trust Fund Dollars	Use of Trust Fund	C.5.11.1	The Contractor's use of trust fund dollars is successful when it will not cause CMS to be cited for financial management related deficiencies on the CMS annual CFO audit.	Audit/Reviews - AUP, CPIC, SAS 70, CAPs, 1522, AR Trend Analysis	Monthly (HIGLAS contractors only), Quarterly, Annual	Monthly (HIGLAS contractors only), Quarterly, Annual

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Financial Management of Trust Fund Dollars	Resolution of Financial Deficiencies	C.5.11.1.3	Initial CAP reports are timely when they are provided within 45 days of receiving a final audit report.	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Resolution of Financial Deficiencies	C.5.11.1.3	The Contractor's corrective action procedures are successful when its deficiencies have been corrected within 1 year of being identified.	1. Corrective Action Plan Reports 2. SAS 70, CPIC, ARAUP, and 1522	1. Quarterly 2. Annual	1. Quarterly 2. Annual
Financial Management of Trust Fund Dollars	Time Account Balance	C.5.11.2.1	The time account is maintained successfully when it is timely reconciled with the bank statement in accordance with IOM Pub. 100-06, Chapter 5, sections 70-90.7, 500-500.6 and 510-510.9	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Benefits Account	C.5.11.2.2	The benefits account is maintained successfully when it is timely reconciled with the bank statement in accordance with IOM Pub. 100-06, Chapter 5, sections 70-90.7, 500-500.6 and 510-510.9	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Cost Report Acceptance - Timeliness	C.5.11.3.2.2	Cost report acceptance is timely if it is completed within 30 days from the receipt date of the provider's cost report.	STAR, Cost Report, Contractor's Cost Report file	Annual	Annual
Financial Management of Trust Fund Dollars	Cost Report Acceptance - Accuracy	C.5.11.3.2.2	Cost report acceptance is accurate when a CMS review indicates that they are performed in accordance with IOM Pub. 100-06, Chapter 8, section 10.3	STAR, Sample, Contractor's Cost Report file, Contractor Data	Annual	Annual
Financial Management of Trust Fund Dollars	Tentative Settlements - Timeliness	C.5.11.3.2.5	Tentative settlements are timely when they are completed within 60 days of the acceptance of the provider's cost report.	STAR, Contractor's Cost Report file, Contractor data	Annual	Annual
Financial Management of Trust Fund Dollars	Tentative Settlements - Accuracy	C.5.11.3.2.5	Tentative settlements are accurate when a CMS review indicates that they are performed in accordance with IOM Pub. 100-06, Chapter 8, section 10.5	STAR, Sample, Contractor's Cost Report file, Contractor Data	Annual	Annual
Financial Management of Trust Fund Dollars	Tentative Settlements - Accuracy	C.5.11.3.2.5	Cost to charge ratios are calculated accurately when a CMS review indicates that they are in compliance with IOM Pub. 100-04, Chapter 3, section 20.1.2 and IOM Pub. 100-06, Chapter 8, section 10.5	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Final Settlement - Timeliness	C.5.11.3.2.10	Cost reports that do not require an audit are settled timely when the NPR is issued within 12 months of the acceptance of a cost report.	STAR, Contractor's Cost Report file, Contractor Data	Annual	Annual

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Financial Management of Trust Fund Dollars	Final Settlement - Accuracy	C.5.11.3.2.10	Cost reports are settled accurately when a CMS review determines compliance with Medicare payment policy as defined in the Medicare Provider Reimbursement Manuals.	STAR, Sample, Contractor's Cost Report file, Contractor Data	Annual	Annual
Financial Management of Trust Fund Dollars	Final Settlement	C.5.11.3.2.10	Cost reports that are audited shall have an NPR and final adjustment report issued within 60 days of the exit conference after the adjustments are finalized if the exit conference is waived.	STAR, Sample, Contractor's Cost Report file, Contractor Data	Annual	Annual
Financial Management of Trust Fund Dollars	Final Settlement	C.5.11.3.2.10	Outlier reconciliations are considered accurate when a CMS review indicates that they are in compliance with IOM Pub. 100-04, Chapter 3, section 20.1.2.5	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Cost Report Reopenings - Timeliness	C.5.11.3.2.11	Revised NPRs are timely when they are issued within 180 days of receipt of all information and documentation necessary to resolve the reopening issue.	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Cost Report Reopenings - Accuracy	C.5.11.3.2.11	Revised NPRs are accurate when a CMS review determines compliance with IOM Pub. 100-06, Chapter 8, section 100	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	Provider-Specific File Correctness	C.5.11.3.3.1	Data in the PSF is considered accurate when a CMS review indicates that it is in compliance with IOM Pub. 100-04, Chapter 3, section 20.2.3.1 and the file layout in Addendum A of IOM Pub. 100-04, Chapter 3	TBD	TBD	TBD
Financial Management of Trust Fund Dollars	System for Tracking Audit and Reimbursement (STAR) System	C.5.11.3.3.3	STAR database is maintained accurately and timely when a CMS review indicates that it is in compliance with the STAR manual.	STAR	Annual	Annual
Financial Management of Trust Fund Dollars	Exception Requests: Tax Equity and Fiscal Responsibility Act (TEFRA)	C.5.11.3.3.7	Target limits are timely when applications are processed to completion within 75 days after receipt by the Contractor or returned to the hospital as incomplete within 60 days of receipt.	Sample, TEFRA log, contractor data	Reviewed annually using fiscal YTD data. TEFRA log will be reviewed to ensure timeliness requirements are met. Dates may be verified by reviewing the contractor's supporting documentation.	Annual
Financial Management of Trust Fund Dollars	Exception Requests: Tax Equity and Fiscal Responsibility Act (TEFRA)	C.5.11.3.3.7	Target limits are accurate when they comply with TEFRA payment policy.	Sample, TEFRA log, contractor data		
Financial Management of Trust Fund Dollars	Non-Medicare Secondary Payer Overpayment	C.5.11.4	Overpayment notification letters are timely when they are sent to the provider within 7 calendar days of overpayment determination.	TBD	TBD	TBD

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Financial Management of Trust Fund Dollars	Non-Medicare Secondary Payer Debt Referral	C.5.11.6	The Contractor's debt referral procedures are successful when its eligible delinquent debt has been referred by the 180th day of delinquency.	Form 751, CAFM, and TROR	Quarterly	Quarterly
Financial Management of Trust Fund Dollars	Financial Reporting Audit/Reviews	C.5.11.9.2	The Contractor's corrective action procedures are successful when its deficiencies have been corrected within 1 year of being identified.	TBD	TBD	TBD
Medical Review	Medical Review	C.5.12	Claims Processing is successful when claims are paid with acceptable accuracy as evidenced by a contractor-specific CERT error rate not to exceed the GPRA national paid claims error rate for the year.	CERT Reports.	Semi-annually detailed report, monthly individual contractor number (4-6 month lag)	Semi-annually detailed report, monthly individual contractor number (4-6 month lag)
Medical Review	Development of the Medical Review Strategy	C.5.12.1	The Contractor's MR strategy is successful when problems targeted in the strategy are addressed during the fiscal year using the progressive corrective action process and the Contractor can demonstrate a change in billing behavior.	Contractor case files identified in strategy, data/systems and other supporting documentation, PTS, strategy, QSA,	Ongoing. At a minimum Quarterly for QSAs and annually for strategies. Annual SAS-70 or SME team to monitor adherence to the PIM.	Ongoing. At a minimum Quarterly for QSAs and annually for strategies. At least annually request log to determine if cases selected match cases in strategy. Annual SAS-70 or SME team to monitor adherence to the PIM
Medicare Secondary Payer	Duplicate Primary Payments	C.5.14.6.1	Voluntary/unsolicited refunds adjudication is successful when all checks that have an associated debt are posted to established debts within 20 calendar days from receipt in the Contractor's mailroom.	Standard systems, HIGLAS and/or ReMAS	Annual	Annual
Medicare Secondary Payer	Duplicate Primary Payments	C.5.14.6.1	Voluntary/unsolicited refunds are successful when checks that do not have an associated debt, thus requiring further development, are referred to the COBC via ECRS within 20 calendar days of receipt.	Standard systems, ECRS, ReMAS	Annual	Annual
Medicare Secondary Payer	Duplicate Primary Payments (DPP)	C.5.14.6.1	DPPs are successfully addressed when demands for repayment are made and collection efforts initiated within 45 calendar days of receiving notice of a DPP situation.	TBD	TBD	TBD

**Cycle 1, RFP 2**  
**Part A and Part B Medicare Administrative Contractor**  
**Performance Requirements Summary**

<b>Business Function Area</b>	<b>Requirement Area</b>	<b>Standard Reference / Source</b>	<b>Performance Standard</b>	<b>Data Source</b>	<b>Data Specification</b>	<b>Update Frequency</b>
Medicare Secondary Payer	Inquiries Specific to Debt Collection Efforts for Providers, Physicians, and Other Suppliers	C.5.14.6.2	Inquiries specific to debt collection efforts are successful when 95% of provider, physician, and other supplier MSP inquiries shall be acknowledged or responded to within 45 calendar days or receipt, absent IOM instructions to the contrary.	ReMAS	Annual	Annual
Medicare Secondary Payer	Debt Collection Referral Activities for Providers, Physicians, and Other Suppliers	C.5.14.6.3	All checks are adjudicated and posted to established or newly identified debts within 20 calendar days from receipt.	Standard systems, HIGLAS and/or ReMAS	Annual	Annual
Medicare Secondary Payer	Debt Collection Referral Activities for Providers, Physicians, and Other Suppliers	C.5.14.6.3	All eligible delinquent debts are referred to Treasury for cross-servicing prior to or by the time the debt is 180 days delinquent.	AB MAC: HIGLAS report. DME MAC: standard system and DCS	Annual	Annual
Medicare Secondary Payer	Debt Collection Referral Activities for Providers, Physicians, and Other Suppliers	C.5.14.6.3	Bankrupt debts are identified and, if at Treasury, recalled and reported properly prior to the end of the current financial reporting period.	TBD	TBD	TBD
Medicare Secondary Payer	Financial Reporting	C.5.14.6.4	Financial reports are submitted and certified within the required timeframes in IOM Pub. 100-06	TBD	TBD	TBD
Medicare Secondary Payer	Financial Reporting	C.5.14.6.4	MSP Savings reports are submitted within the CROWD system in the required timeframes in IOM Pub. 100-05	TBD	TBD	TBD
Medicare Secondary Payer	Misrouted MSP Recovery Checks	C.5.14.6.5	The Contractor shall issue a new check and forward all check copies and correspondence to the MSPRC within 5 business days of the original check deposit.	TBD	TBD	TBD
Medicare Secondary Payer	Misrouted MSP Correspondence	C.5.14.6.6	The Contractor shall transfer all misrouted MSP recovery correspondence to the MSPRC within 5 business days of receipt.	TBD	TBD	TBD
Rural Health Clinics	Education Materials	C.5.18.1	The Contractor is successful when educational materials are submitted to the Project Officer at least 6 weeks before their intended use.	Project Officer	TBD	TBD
Federally Qualified Health Centers	Education Materials	C.5.19.1	The Contractor is successful when educational materials are submitted to the Project Officer at least 6 weeks before their intended use.	Project Officer	TBD	TBD